

LUKoil Drops After \$2.4Bln Stake Buy

By [The Moscow Times](#)

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LUKoil said Monday that it controls the \$2.4 billion stake that it repurchased last week, but the shares took a beating on the news.

LUKoil dropped 4 percent to close at 1,727.36 rubles (\$56.56) per share, versus the broader MICEX index loss of 1.21 percent.

LUKoil is being “punished” on the market by the uncertainty of what will happen to the remainder of the stock and not participating in a bid for the right to develop the Trebs and Titov oil fields in the Arctic, said John Heisel, an equity sales trader at Citigroup.

LUKoil bought the 42.5 million shares, equaling 5 percent of the total float, from ConocoPhillips with the help of UniCredit Bank. The purchase covered less than half of the 11.6 percent holding that ConocoPhillips made available at \$56 a share under an expired option.

“LUKoil’s management has bought just enough shares to protect itself against a third-party investor accumulating the ConocoPhillips shares and joining the company’s board,” Troika

Dialog said in a research note.

ConocoPhillips, based in Houston, is reducing its stake in LUKoil to raise money to repay debt and to repurchase its own shares. Conoco still holds 56.2 million LUKoil shares and may sell 5 million shares a month on the open market, potentially weighing on the share price until the summer, Troika said.

In August, LUKoil bought 7.6 percent of its stock from Conoco for \$3.44 billion. The company plans to use the shares as a financial reserve, deputy chief executive Leonid Fedun said Aug. 31.

Troika said LUKoil will probably hold onto the stock bought from Conoco, which now totals 12.6 percent of the outstanding shares, to use for acquisitions.

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